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Dynamic Mining Exploration Ltd.

(NO PERSONAL LIABILITY)

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1970



A member of the DYNAMIC GROUP

ANNUAL REPORT

December 31, 1970

Dynamic Mining Exploration Ltd.

(NO PERSONAL LIABILITY)

(Incorporated under the Quebec Mining Companies' Act)

*A member of the Dynamic Group**

DIRECTORS

FRANK BROWN, *Calgary, Alberta*
ROBERT CLIVE BROWN, *Calgary, Alberta*
GERARD NOEL de TILLY, *Quebec City, Quebec*
CLAUDE GENDRON, *Ste-Foy, Quebec*
ARCHIBALD PARK NEWALL, JR., *Calgary, Alberta*

OFFICERS

GERARD NOEL de TILLY, *President*
FRANK BROWN, *Vice-President*
ARCHIBALD PARK NEWALL, JR., *Secretary-Treasurer*

HEAD OFFICE

SUITE 925, 880 CHEMIN STE-FOY
QUEBEC 6, QUEBEC

EXECUTIVE OFFICE

210, 736 - 8th AVENUE S.W.
CALGARY 2, ALBERTA

AUDITORS

PEAT, MARWICK, MITCHELL & CO., *Calgary, Alberta*

BANKERS

THE ROYAL BANK OF CANADA, *Calgary, Alberta*
THE MERCANTILE BANK OF CANADA, *Quebec City, Quebec*

SOLICITORS

BOISVERT & PICKEL, *Montreal, Quebec*

REGISTRAR

MONTREAL TRUST COMPANY, *Quebec City, Quebec*

TRANSFER AGENT

MONTREAL TRUST COMPANY, *Quebec City & Montreal, Quebec*

SHARES LISTED

CANADIAN STOCK EXCHANGE, *Montreal, Quebec*

*The term "Dynamic Group of Companies" is used to refer to the following companies collectively: Permo Gas & Oil Limited and its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited, together with affiliated companies, Dynamic Petroleum Products Ltd., Royal Canadian Ventures Ltd., Mill City Petroleums Limited, Crusade Petroleum Corporation Limited, Dynalta Oil & Gas Co. Ltd. and Dynamic Mining Exploration Ltd. (No Personal Liability). These companies are separate and distinct Canadian corporations having an interlocking directorate, interlocking share positions, common management and the same executive offices.

TO THE SHAREHOLDERS

The annual report and financial statements of the company for the year ended December 31, 1970 are presented herewith.

The company was incorporated under the Quebec Mining Companies' Act by Letters Patent dated June 25, 1969, with an authorized share capital of 5,000,000 common shares of a par value of \$1.00 each of which 2,000,025 shares are issued and outstanding.

During the year 250,000 shares were released from escrow out of 700,000 shares issued to directors Brown, Brown and Newall and to Crusade Petroleum Corporation Limited, Dynalta Oil & Gas Co. Ltd., Dynamic Petroleum Products Ltd. and New Continental Oil Company of Canada Limited, members of the Dynamic Group. The remaining 450,000 shares held in escrow by the Montreal Trust Company, Quebec City, are to be released as to 250,000 shares on September 22, 1971 and as to 200,000 shares on September 22, 1972.

The option granted to J. T. Gendron, Inc., Stock Brokers in Quebec City, pursuant to an Underwriting and Option Agreement dated August 8, 1969, to purchase an additional 300,000 treasury shares at \$1.50 per share was not exercised and such option expired on April 24, 1970.

During the period from incorporation of the company on June 25, 1969 to December 31, 1970, cash receipts have aggregated the sum of \$889,269 comprising \$845,025 received from the sale of treasury shares and \$44,244 being interest earned on short term deposits. During the same period cash expenditures have aggregated \$636,420 leaving a balance of working capital at December 31, 1970 in the sum of \$252,849. Cash expenditures aforesaid are briefly summarized as follows:

Exploration expenditures plus the
cost of acquiring an interest in
mineral properties

Northwest Territories		
Kazan Falls area		\$333,741
Province of Manitoba		
Jackfish Lake area	\$159,858	
Ruttan Lake area	70,426	
Rat River area	1,200	231,484
Province of Quebec		
Fief Hubert area		3,398
		<hr/>
		568,623
Administrative and general expenses		45,836
Organization expenses		19,138
Office furniture		2,823
		<hr/>
		\$636,420

EXPLORATION PROGRAMS

NORTHWEST TERRITORIES

Pursuant to an agreement dated April 15, 1970 entered into with various members of the Dynamic Group of Companies (called "the Dynamic Group"), the company, in consideration of the sum of \$325,000, acquired an undivided 25% interest in 791 mineral claims (subsequently reduced to 206 claims) and three mineral prospecting permits comprising approximately 480,000 acres in the Baker Lake (Kazan Falls) area. In accordance with the terms of the agreement the Dynamic Group conducted an extensive mineral exploration program over these properties during 1970 consisting of two phases as follows:

- (a) Locating on the ground, geological mapping, and prospecting of all radioactive anomalies indicated by the previous airborne radiometric survey. Where warranted, trenching and sampling were also carried out.
- (b) Detailed prospecting, geological mapping, ground geophysics and diamond drilling of the Kazan Falls radioactive anomaly which was covered by claims staked in the fall of 1969. Trenching and sampling were also carried out where warranted. Five diamond drill holes totalling 2,274 feet were put down on the 69-4 showing. The approach of bad weather and freezing conditions, plus a fire which destroyed the drilling rig, prevented a considerable amount of additional planned drilling.

Investigations to date suggest that the uranium mineralization is very similar to the Beaver Lodge type of deposit and the 69-4 showing contains appreciable amounts of uranium and represents a potential ore deposit. Three main north-south zones have been located to date. Two of the zones have been tested by diamond drilling and all three are in effect open at the north and south extremities and at depth. The No. 2 zone uncovered at the end of the season is perhaps the strongest structurally and holds much potential. Additional diamond drilling is therefore required for future evaluation of this area.

The Dynamic Group paid the cost of the 1970 exploration program aforesaid to the extent of the first \$150,000. Expenditures in excess of such amount were shared as to 25% by the company which amounted to \$8,741. The company's investment in this area totals the sum of \$333,741.

MANITOBA

Jackfish Lake Area

In this area of The Pas Mining District, the company, pursuant to the terms of an agreement entered into in 1969 with various members of the Dynamic Group, acquired an undivided 40% interest in five mineral reservations containing approximately 600,000 acres, in consideration of an expenditure during 1969 and 1970 in the sum of \$150,467 to cover the cost of conducting an exploration program over the lands comprised therein. The company's share of additional exploration expenditures amounted to \$9,391 resulting in total expenditures in this area of \$159,858.

During the latter part of 1969 an airborne survey was conducted over the lands by Scintrex Limited, Geophysical Consultants, of Toronto, and as a result of this survey approximately 450 electromagnetic events were evidenced and included in 33 separate systems. Magnetic correlation was recorded in approximately 50 of these 450 conductive events. During the summer of 1970 these conductors were located by ground prospecting parties. This was followed up by ground geophysical surveys, prospecting and geological evaluation of the anomalies. 24 mineral claim blocks, comprising 14,516 acres have been staked covering all of the better conductors and anomalies and the mineral reservations have been terminated. The next step in evaluation of these properties will consist of diamond drilling of the many conductors indicated.

Ruttan Lake Area

Pursuant to an agreement entered into in 1969, the company acquired an option to earn an undivided 90% interest in four mineral claim blocks and three fractional mineral claims in this area of The Pas Mining District which is in the proximity of the Sherritt Gordon copper-zinc discoveries. The results of our exploration program conducted during the year under review were not encouraging and as a consequence we did not elect to continue our option aforesaid. Total expenditures in this area amounting to \$70,426 have been written off to deficit account in the accompanying financial statements.

Rat River Area

In this area of The Pas Mining District the company has a 100% interest in two mineral claim blocks containing 1,239 acres which were staked at a cost of \$1,200. These claim blocks adjoin the properties in the Ruttan Lake area above mentioned and no evaluation work program has been carried out to the date of this report.

QUEBEC

Fief Hubert Area

In Fief Hubert Township the company has staked, at a cost of \$3,398, fifty mineral claims over an iron prospect north of St. Raymond, Portneuf County. The deposit was located by means of interpretation of aeromagnetics of the area. Bulk samples have been obtained and are being subjected to numerous metallurgical tests. The deposit is easily accessible by both road and railroad and is close to an all year seaport. Present plans call for both reconnaissance and detailed ground magnetometer surveys of the property commencing in the near future.

General

The company has recently retained the services of Dr. Marcel Morin of Quebec City, well known Canadian mining geologist, to direct its mineral exploration program in the Province of Quebec including, of course, the Fief Hubert prospect. The company now plans to concentrate considerably more on opportunities in the Province of Quebec, and in this regard Dr. Morin has already commenced studies of several prospective areas of the Province.

The directors wish to express their appreciation to the shareholders, the majority of whom are resident in the Province of Quebec, for their continued interest in the affairs of the company.

On behalf of the Board

GERARD NOEL de TILLY
President

March 31, 1971.

Dynamic Mining Exploration Ltd.

(NO PERSONAL LIABILITY)

ACREAGE HOLDINGS AT DECEMBER 31, 1970

MANITOBA CLAIM BLOCKS

		ACREAGE	INT. %	FARMEE OR OPERATOR
Jackfish Lake	3248	620	40.	Dynamic Petroleum Products Ltd.
" "	3249	620	"	" " " "
" "	3250	620	"	" " " "
" "	3251	620	"	" " " "
" "	3252	620	"	" " " "
" "	3253	620	"	" " " "
" "	3254	774	"	" " " "
" "	3255	620	"	" " " "
" "	3256	620	"	" " " "
" "	3257	620	"	" " " "
" "	3260	620	"	" " " "
" "	3262	620	"	" " " "
" "	3263	310	"	" " " "
" "	3265	620	"	" " " "
" "	3267	310	"	" " " "
" "	3268	620	"	" " " "
" "	3269	620	"	" " " "
" "	3271	620	"	" " " "
" "	3272	930	"	" " " "
" "	3273	620	"	" " " "
" "	3274	620	"	" " " "
" "	3275	310	"	" " " "
" "	3276	826	"	" " " "
" "	3277	516	"	" " " "
		<u>14,516</u>		
Rat River	989	826	100.	Dynamic Mining
" "	1127	413	"	" "
		<u>1,239</u>		

NORTHWEST TERRITORIES PERMITS

Baker Lake	208	139,605	25.	New Continental Oil Company
" "	212	170,750	"	of Canada Limited
" "	213	169,924	"	" " "
		<u>480,279</u>		

CLAIMS

Baker Lake	206 cl.	25.	New Continental Oil Company
			of Canada Limited

QUEBEC CLAIMS

Fief Hubert	50 cl.	100.	Dynamic Mining
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BALAN

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ASSETS

CURRENT	1970	1969
Cash	\$ 4,417	\$ 21,161
Short term deposits	258,000	700,467
Accounts receivable	316	-
Security deposit	1,000	1,000
	<u>263,733</u>	<u>722,628</u>
OFFICE FURNITURE — At cost.	2,823	-
Less accumulated depreciation	565	-
	<u>2,258</u>	<u>-</u>
INTEREST IN MINERAL PROPERTIES (Note 1)		
Acquisition costs of interest in mining properties	325,000	10,000
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES	<u>194,492</u>	<u>130,619</u>
	<u>\$785,483</u>	<u>\$863,247</u>

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Exploration Ltd.

(LIABILITY)

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31, 1970

(figures for 1969)

LIABILITIES

CURRENT	1970	1969
Accounts payable.	\$ 10,884	\$ 18,222
SHAREHOLDERS' EQUITY		
Capital stock (Note 2)		
Authorized 5,000,000 common shares of a par value of \$1.00 each.		
Issued for cash		
600,025 shares at a par value of \$1.00 each	600,025	600,025
1,400,000 shares at a discount.	245,000	245,000
<u>2,000,025</u>	845,025	845,025
Deficit (Note 1)	70,426	-
	<u>774,599</u>	<u>845,025</u>
Approved on behalf of the Board:		
ARCHIE P. NEWALL, JR., Director		
R. C. BROWN, Director		
	<u>\$785,483</u>	<u>\$863,247</u>

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Dynamic Mining Exploration Ltd.

(NO PERSONAL LIABILITY)

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

For the Year ended December 31, 1970

(With comparative figures for 1969)

	1970	1969
Exploration and development expenses on mining properties	\$120,641	\$112,982
Administration and general expenses (including remuneration paid to a director and officer, 1970 - \$12,000; 1969 - \$4,000)	36,121	9,715
	156,762	122,697
Deduct interest earned on short term deposits	33,304	10,940
	<u>123,458</u>	<u>111,757</u>
Other		
Incorporation	315	3,835
Financing expense	(500)	11,008
Listing on stock exchange	461	4,019
	<u>276</u>	<u>18,862</u>
Cash expenditures for the year	123,734	130,619
Add depreciation	565	-
	124,299	130,619
Balance, beginning of year	130,619	-
	254,918	130,619
Deduct abandonments (Note 1)	60,426	-
Balance, end of year	<u>\$194,492</u>	<u>\$130,619</u>

(1969 figures are for the period June 25, 1969 to December 31, 1969)

See accompanying notes.

Dynamic Mining Exploration Ltd.

(NO PERSONAL LIABILITY)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year ended December 31, 1970

(With comparative figures for 1969)

	1970	1969
Source of Funds		
Proceeds from issue of shares	\$ -	\$845,025
Application of Funds		
Deferred exploration, development and other expenditures as per statement	123,734	130,619
Interest in mineral properties and options	325,000	10,000
Equipment	2,823	-
	<u>451,557</u>	<u>140,619</u>
Decrease (increase) in working capital	451,557	(704,406)
Working capital, beginning of year	<u>704,406</u>	<u>-</u>
Working capital, end of year	<u>\$252,849</u>	<u>\$704,406</u>

(1969 figures are for the period June 25, 1969 to December 31, 1969)

See accompanying notes.

Dynamic Mining Exploration Ltd.

(NO PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. The company earned a 40% interest in Manitoba Mineral Reservations 68, 69, 70, 71 and 72 situated in The Pas Mining District of Northern Manitoba by carrying out an exploration program costing \$150,467 which was the amount required to keep the Reservations in good standing to September 10, 1970, pursuant to the Mines Act of the Province of Manitoba. Mineral Claim Blocks 3248 to 3257, 3260, 3262, 3263, 3265, 3267, 3268, 3269, 3271 to 3277 have been staked on lands contained in the above Reservations and the Reservations themselves have been terminated. The company participated in additional exploration and staking costs to the extent of its 40% interest bringing its share of total expenditures to \$159,858.

In addition to a payment of \$10,000 the company conducted an exploration program costing \$60,426 in connection with its option to earn a 90% interest in claim Blocks 1246, 1247, 1248 and 1847 and Mineral Claims YUM Fr. 1, 2 and 3 situated in The Pas Mining District of Northern Manitoba. The company elected not to renew its option and its interest in these properties has now terminated. The total accumulated expenditure of \$70,426 has been written off to the Deficit Account.

The company has, in consideration of the sum of \$325,000 acquired a 25% undivided interest in Mineral Prospecting Permits 208, 212 and 213 and in certain Mineral claims in the Kazan Falls area of the Northwest Territories. A work program, the first \$150,000 of which was at no cost to the company, was conducted on the properties during the year, the company's 25% share of the excess costs being \$8,741. An option to acquire a further 25% undivided interest was not exercised by the expiry date.

2. Pursuant to the terms of an agreement dated January 26, 1970, the company granted an option to an employee to purchase 50,000 common shares of the company's capital stock at a price of \$1.00 per share exercisable over a five-year period commencing on January 26, 1971, and terminating in any event on January 26, 1976.

AUDITORS' REPORT

To the Shareholders of

Dynamic Mining Exploration Ltd. (No Personal Liability)

We have examined the balance sheet of Dynamic Mining Exploration Ltd. (No Personal Liability) as of December 31, 1970 and the statements of deferred exploration, development and other expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

All of the operations of the company from the date of incorporation have been in connection with the acquisition of mining properties and exploration and development thereon and all expenditures relative thereto have been capitalized or written off to deficit in case of abandonment and there is, therefore, no accompanying statement of profit and loss.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1970 and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Calgary, Alberta
March 10, 1971

